

Ex 20 - CAH_MDL2804_03262274-2520

Plaintiffs' Opposition to Defendants' Motion for Summary Judgment on Proximate Causation Grounds

11/1/12
Audit
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Audit Committee Meeting

November 1, 2012

1:00 – 4:00 PM Eastern Time



CardinalHealth

CONFIDENTIAL



CARDINAL HEALTH CONFIDENTIAL

To: Audit Committee Members of the Board of Directors:
Glenn A. Britt, Chair, Carrie S. Cox, Bruce L. Downey, John F. Finn,
David P. King, Clayton M. Jones

From: Jeff Miller
General Auditor

Cc: George S. Barrett, Jeffrey W. Henderson, John M. Adams, Jr., Craig S.
Morford, Stephen T. Falk, Stuart G. Laws, Jonathan G. Weaver (E&Y)

Date: October 26, 2012

Subject: Audit Committee Meeting Pre-Meeting Materials

Enclosed are the agenda and materials for the November 1, 2012 Audit Committee meeting. As is our general practice, all presenters are planning to focus on highlights of their materials and will, therefore, rely on your pre-meeting review to direct discussion to other areas of interest.

In the interest of time, a number of agenda items have been designated as "pre-read only" (marked with an *). These items will only be discussed at the meeting if you have questions.

The meeting is scheduled for 1:00-4:00 p.m. EST.

Please feel free to contact me at (614) 757-7731 if you have questions.



**AGENDA
CARDINAL HEALTH, INC.
AUDIT COMMITTEE MEETING**

**November 1, 2012
1:00 – 4:00 p.m. Eastern Time**

<u>Time+</u>		<u>Topic</u>	<u>Action</u>	<u>Presenter</u>
1:00	1.	Approve Minutes of the August 7, 2012, August 20, 2012 and October 26, 2012 Audit Committee Meetings	Y	Glenn Britt
1:00	2.	Financial Results <ul style="list-style-type: none"> Review of Draft Form 10Q, including Management Discussion and Analysis 		Jeff Henderson Stu Laws
1:25	3.	Chief Accounting Officer Update <ul style="list-style-type: none"> SAB 108 Assessment* Summary of Restructuring Projects* Balance Sheet Analytical* Reserve Summary* Adequacy and Effectiveness of Disclosure Controls* Pre-approved Independent Auditor Fees* 		Stu Laws
1:35	4.	Ernst & Young LLP <ul style="list-style-type: none"> Q1 FY13 Review Results and Required Communications <ul style="list-style-type: none"> Update of Required Communications FY13 Cardinal Health Integrated Audit Plan <ul style="list-style-type: none"> Financial Statement Audit Plan and Timeline Client Service Team Coordinating Partner Rotation Process and Timing Other Topics 		Jon Weaver Mary Betsill Andrea Hecht
1:50	5.	CFO Overview <ul style="list-style-type: none"> Follow-Ups from Prior Audit Reports Financial Benefits Plan Committee Update* 		Jeff Henderson
2:00	6.	Tax Update <ul style="list-style-type: none"> Tax Transformation Update Controversy Overview 		Sam Samad Mark Stauffer
2:15	7.	Global Assurance Services Update <ul style="list-style-type: none"> SOX 404 FY13 Status Corporate Audit Update 		Jeff Miller

2:30	8.	Chief Information Officer Update	Patty Morrison
		<ul style="list-style-type: none"> • IT Security and Controls Update • Follow-Ups from Prior Audit Reports • IT Security Awareness Program • MBT Update 	
2:45	9.	Chief Legal and Compliance Officer Update	Craig Morford
		<ul style="list-style-type: none"> • Quality and Regulatory Update • Ethics and Compliance Program Update 	
3:00	10.	General Counsel Update	Steve Falk
		<ul style="list-style-type: none"> • Litigation Update • Other Matters 	
3:15	11.	Audit Committee Matters	Glenn Britt
		<ul style="list-style-type: none"> • Review/Update Audit Committee Charter • Audit Committee Calendar* 	Y

EXECUTIVE SESSIONS

3:25	12.	Audit Committee Sessions Alone	
		<ul style="list-style-type: none"> • CEO and CFO <ul style="list-style-type: none"> ○ Approval of EY Engagement Letter ○ Audit Partner Rotation Discussion • CFO • Chief Legal and Compliance Officer and General Counsel <ul style="list-style-type: none"> ○ Business Conduct Line Reports • Ernst & Young LLP • General Auditor • Executive Session Only 	Y
4:00		Adjourn	Glenn Britt

Attendees:

Committee Members

Glenn A. Britt
 Carrie S. Cox
 Bruce L. Downey
 John F. Finn
 David P. King

Other Attendees

George S. Barrett
 John M. Adams, Jr.
 Stephen T. Falk
 Jeffrey W. Henderson
 Stuart G. Laws
 Jeffrey S. Miller

Craig S. Morford
 Patricia B. Morrison
 Sam Samad
 Mark F. Stauffer
 Mary K. Betsill – EY
 Andrea K. Hecht - EY
 Jonathan G. Weaver – EY
 Clayton M. Jones

*Pre-Read only

+Anticipated start times; to be adjusted as discussion warrants

ITEM 1
APPROVAL OF MEETING MINUTES

MATERIALS TO BE PROVIDED IN SUPPLEMENTAL MAILING

- October 26, 2012 meeting minutes

**CARDINAL HEALTH, INC.
MINUTES OF MEETING OF AUDIT COMMITTEE**

August 7, 2012

A regular quarterly meeting of the Audit Committee (the “Committee”) of the Board of Directors of Cardinal Health, Inc. (the “Company”) was held on August 7, 2012 at 1:00 p.m. Eastern time at the Company’s offices in Dublin, Ohio pursuant to a call to order by the Chairman of the Committee and notice duly given to all members of the Committee.

The meeting was attended by Committee Chairman Glenn A. Britt and Committee members Carrie S. Cox, Bruce L. Downey, John F. Finn and David P. King. Also attending at the invitation of the Committee were Chairman and Chief Executive Officer George S. Barrett, Chief Financial Officer Jeffrey W. Henderson, Chief Legal and Compliance Officer Craig S. Morford, Executive Vice President, General Counsel and Corporate Secretary Stephen T. Falk, Senior Vice President and Chief Accounting Officer Stuart G. Laws, Senior Vice President and Chief Financial Officer- Pharmaceutical Segment Jorge Gomez, Senior Vice President and Treasurer Sam Samad, Vice President and General Auditor Jeffrey S. Miller and Senior Vice President, Associate General Counsel and Assistant Secretary John M. Adams, Jr., who served as secretary of the meeting. Also present at the meeting at the invitation of the Committee were Ernst & Young LLP (“E&Y”) partner Jonathan G. Weaver and senior manager Andrea K. Hecht. Chairman Britt participated by telephone.

Mr. Britt called the meeting to order at 1:00 p.m. The Committee approved the minutes of the meetings held on May 1, 2012 and July 31, 2012, drafts of which were provided with the materials distributed to the members of the Committee in advance of the meeting (the “Committee Pre-read Materials”).

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Mr. Morford noted that he would present his year-end Annual Ethics and Compliance report to the full Board the next day, during which he would review the Company's controlled substance regulatory responsibilities and compliance program. As a result, he had not included a separate quarterly report for the Committee.

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Mr. Falk discussed recent developments described in his report on significant litigation included in the Committee Pre-read Materials, including the State of West Virginia lawsuit and the inquiry by the Maryland Assistant United States Attorney regarding controlled substance distributions. Messrs. Morford and Falk responded to questions from Committee members.

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During their private session, Mr. Morford reviewed, among other things, business conduct line reports. The Committee members then met alone in executive session.

The meeting was adjourned at 3:55 p.m. Eastern time.

John M. Adams, Jr.,
Secretary of the Meeting

Privileged and Confidential
Draft Dated 8/20/2012

**CARDINAL HEALTH, INC.
MINUTES OF MEETING OF AUDIT COMMITTEE**

August 20, 2012

A meeting of the Audit Committee (the "Committee") of the Board of Directors of Cardinal Health, Inc. (the "Company") was held telephonically on August 20, 2012 at 1:00 p.m. Eastern time pursuant to call to order by the Chairman of the Committee and notice duly given to all members of the Committee.

The meeting was attended by Committee Chairman Glenn A. Britt and Committee members Carrie S. Cox, Bruce L. Downey and David P. King. Committee member John F. Finn was absent. Also attending at the invitation of the Committee were Director Calvin Darden, Chairman and Chief Executive Officer George S. Barrett, Chief Financial Officer Jeffrey W. Henderson, Chief Legal and Compliance Officer Craig S. Morford, Executive Vice President, General Counsel and Corporate Secretary Stephen T. Falk, Senior Vice President and Chief Accounting Officer Stuart G. Laws, Vice President and General Auditor Jeffrey S. Miller and Senior Vice President, Associate General Counsel and Assistant Secretary John M. Adams, Jr., who served as secretary of the meeting. Also present at the meeting at the invitation of the Committee were Ernst & Young LLP ("E&Y") partner Jonathan G. Weaver and senior manager Andrea K. Hecht.

Mr. Britt called the meeting to order at 1:00 p.m.

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The meeting was adjourned at 1:30 p.m. Eastern time.

John M. Adams, Jr., Secretary of the Meeting

ITEM 2

FINANCIAL RESULTS

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Lakeland, Florida Distribution Center DEA Investigation and Related Matters

On February 3, 2012 the United States Drug Enforcement Administration (the "DEA") issued an order to show cause and immediate suspension of our Lakeland, Florida distribution center's registration to distribute controlled substances, asserting that we failed to maintain required controls against the diversion of controlled substances. On May 14, 2012, we entered into a settlement agreement with the DEA under which our Lakeland registration will remain suspended until May 15, 2014 and the DEA confirmed that it was planning no further administrative actions at any of our other facilities based on conduct prior to the settlement. The settlement agreement did not foreclose the possibility of the U.S. Department of Justice (the "DOJ") seeking civil fines for conduct covered by the settlement agreement. In that regard, we are responding to civil subpoenas from two local offices within the DEA and the DOJ.

State of West Virginia vs. Cardinal Health, Inc.

On June 26, 2012, the West Virginia Attorney General filed complaints against fourteen pharmaceutical wholesale distributors, including us, in the Circuit Court of Boone County, West Virginia alleging, among other things, that the distributors failed to maintain effective controls to guard against diversion of controlled substances in West Virginia, failed to report suspicious orders of controlled substances in accordance with the West Virginia Uniform Controlled Substances Act, were negligent in distributing controlled substances to pharmacies that serve individuals who abuse controlled substances, were unjustly enriched by such conduct, violated consumer credit and protection laws, created a public nuisance, and violated state antitrust laws in connection with the distribution of controlled substances. In addition to injunctive and other equitable relief, the attorney general is seeking monetary damages and the creation of a court-supervised fund, to be financed by the defendants in these actions, for a medical monitoring program focused on prescription drug abuse. Motions have been filed by all defendants to remove the cases to the United States District Court for the Southern District of West Virginia.

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Part II. Other Information

Item 1: Legal Proceedings

In addition to the proceedings described below, the legal proceedings described in Note 7 of the "Notes to Condensed Consolidated Financial Statements" are incorporated in this "Item 1-Legal Proceedings" by reference.

In May and June 2012, Herman Kleid and Henry Stanley, Jr., each purported shareholders, filed derivative actions on behalf of Cardinal Health, Inc. in the United States District Court for the Southern District of Ohio against the current and certain former members of our Board of Directors. A similar action was filed by Daniel Himmel, a purported shareholder, in the Common Pleas Court of Delaware County, Ohio and included certain of our officers as defendants. The complaints allege that the defendants breached their fiduciary duties in connection with the DEA's recent suspension of our Lakeland, Florida distribution center's registration to distribute controlled substances, and the suspension and reinstatement of such registrations at three of our facilities in 2007 and 2008. The Himmel action also makes claims based on corporate waste and unjust enrichment. The complaints seek, among other things, unspecified money damages against the defendants and an award of attorney's fees. In July and August 2012, the defendants filed motions to dismiss all three complaints. In October 2012, Herman Kleid voluntarily dismissed his complaint without prejudice and the court dismissed the Stanley action with prejudice. Separately, in September 2012, a purported shareholder made demand on our Board of Directors to take action against the current and certain former members of our Board of Directors to recover damages based on allegations similar to those set forth in the derivative actions above.

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ITEM 3
CHIEF ACCOUNTING OFFICER UPDATE

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ITEM 4
ERNST & YOUNG, LLP

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